



**TESTIMONY OF
CONNECTICUT HOSPITAL ASSOCIATION
SUBMITTED TO THE
PUBLIC HEALTH COMMITTEE
Monday, March 16, 2009**

HB 6675, An Act Increasing Access To Health Care In Connecticut

The Connecticut Hospital Association (CHA) appreciates the opportunity to submit testimony on **HB 6675, An Act Increasing Access To Health Care In Connecticut.**

HB 6675 requires the Commissioner of the Department of Social Services (DSS), in consultation with the Commissioner of the Department of Public Health (DPH) and the State Comptroller, to develop by July 1, 2009 short and long term recommendations regarding the most effective use of federal funds resulting from the enhanced federal match. In particular, the Commissioner is required to consider how to use the funds to improve access to healthcare for state residents, address provider reimbursement rates, expand enrollment, and develop health information technology.

Hospitals are more than facts and figures and dollars and cents—hospitals, at their core, are really people taking care of people. Each year, the 66,000 people employed in Connecticut's hospitals care for more than 400,000 people admitted to their facilities, treat nearly 1.5 million people in their emergency rooms, and welcome more than 42,000 babies into the world. We provide care to all people regardless of their ability to pay—we serve more than 381,000 people in the state without health insurance and nearly one million people enrolled in under-funded state and federal programs. And, we do this 24 hours a day, seven days a week, 365 days a year.

In addition to being among the largest employers in the state, hospitals generate nearly \$13 billion in annual economic activity. In more ways than one, the health of our communities is inextricably linked to the health of the local hospital. Unfortunately, the economic crisis is ravaging the health of our hospitals.

In 2007, Connecticut hospitals lost more than \$300 million due to under-reimbursement for Medicaid and SAGA – up from \$255 million the year before. In 2008, one of the traditional means hospitals use to make ends meet, non-operating (investment) income, more than disappeared, going negative for the first time ever. Instead of investments supporting operations, hospitals posted a non-operating revenue loss of over \$200 million. In comparison to the year before, this represented a year-over-year drop in non-operating revenue of \$416 million. In addition, as the economy worsens, the number of uninsured and those enrolling in Medicaid and SAGA (State-Administered General Assistance) grows daily.

As drafted, HB 6675 would have us proceed in the normal course to develop and debate ideas on how best to use the enhanced federal match. But these are not normal times and the enhanced match period is time limited; the enhanced match period began on October 1, 2008 – by the time July 1, 2009 arrives, the date by which HB 6675 contemplates receiving ideas, a third of the enhanced match period will have already expired.

The time to act is now. The legislature should quickly move forward on three proposals: first, increase funding for SAGA to the Medicaid level and require DSS to file the SAGA waiver to eliminate the impact on the state budget. Second, use Medicaid stimulus dollars for the purpose for which they were intended, Medicaid. Third, create a loan program to help providers be able to purchase electronic health records (EHR).

The SAGA waiver is critically important to the state and providers' economic well being. While the federal government pays for half the expenses of the state's Medicaid program, the state pays the majority of the cost of SAGA. Obtaining the waiver would permit Connecticut to match all SAGA expenditures.

The General Assembly has twice recognized the importance of seeking an 1115 waiver for the SAGA program. Section 17b-192(g) of the Connecticut General Statutes – passed in 2003 and reaffirmed in 2007 – requires that the Commissioner of the Department of Social Services submit an application to the federal government for such a waiver by March 1, 2004 and January 1, 2008, respectively.

Converting SAGA to Medicaid requires removing the cap on SAGA funding and increasing SAGA payments to providers to the Medicaid rate. Despite an estimated 30 percent increase in hospital payments and a 5 percent increase in non-hospital payments that would be required by the state under the waiver, the increase in federal funding would more than offset the increase in cost; the state would save approximately \$28 million per year over current expenditures, while hospitals and other providers would get the benefit of \$45 million in increased SAGA funding.

Five years have passed and the waiver request has not been filed. Failure to file the application during those five years has caused the following: Connecticut passed up \$140 million in federal funding; hospitals missed out on \$175 million in SAGA funding and \$150 million in Medicare funding; Community Health Centers and other SAGA providers missed out on \$50 million in SAGA funding.

The Medicaid stimulus dollars are intended to keep Medicaid programs intact and available for those who must rely on the state for health insurance. In order to keep these programs intact, two things must happen simultaneously. One is to reject all attempts to make it more difficult for individuals to obtain and maintain coverage. The other is to help those providing the care by taking another step forward on the road to bringing rates closer to the cost incurred in delivering the care.

Establishing a loan program so providers can purchase and implement electronic health records is a new opportunity created by the Federal Stimulus package. The purpose of the program is to make it possible for providers to have ready access to the funds necessary to move forward on EHR. Dollars for these programs are awarded by the federal government to states through a competitive process.

In these difficult economic times, it is more important than ever that the state is steadfast in its commitment to help those who cannot help themselves. In the attached, we have provided supporting detail on how to leverage federal stimulus dollars to achieve these goals. These proposals make good economic sense. If pursued, these proposals over the biennium would create over 2,800 Connecticut jobs, provide \$1.1 billion to the general fund, increase economic activity in the Connecticut general economy by about \$350 million per year, and increase Connecticut salaries and wages by over \$125 million per year.

Connecticut hospitals find themselves with their backs against the wall – needing your help more than ever. Fortunately, we have before us an unprecedented opportunity – one we cannot afford to squander.

Thank you for your consideration of our position.

For additional information, contact CHA Government Relations at (203) 294-7310.

SAF:kas
Attachments

The Federal Stimulus Package and Connecticut

Leveraging Federal Relief to Help Balance the State Budget, Stimulate the Economy, Create Jobs, Provide Healthcare to Those Most in Need, and Support Those Providing the Care

At this moment, the federal government is delivering unprecedented relief to help states meet their Medicaid obligations. Connecticut will receive approximately \$1.32 billion over 27 months, beginning in October 2008 and ending December 2010. This relief will be paid in the form of an increased federal match to the Medicaid program. It is anticipated that Connecticut's match rate will increase from the current 50 percent to approximately 60 percent. This much needed relief offers Connecticut a unique opportunity to leverage federal funds to help balance the state budget, stimulate the economy, create jobs, help those most in need, and support those providing the help.

The chart below assumes the state makes another step in the long-term goal of establishing reasonable provider rates. Under this scenario, the state saves \$352 million per year (enhanced match estimated to be 60 percent versus the current match of 50 percent) and providers get an additional \$121 million. In addition, Connecticut benefits enormously from the "ripple effect" of funds invested in Medicaid: the Connecticut general economy would be boosted by \$225 million and more than 2,000 jobs would be added. This tremendous boost to the state economy is the reason why an increased investment makes better fiscal sense than the state maintaining funding at current levels and keeping the enhanced match funds for other purposes. Every \$1 million the state invests in Medicaid returns \$2.1 million in economic activity to the state, creates 17 new jobs, and generates \$760,000 in salaries and wages. On the other hand, with the new enhanced match, for the state to save a dollar, it has to cut Medicaid by \$2.50. Strengthening the state's healthcare safety net with additional federal funds is particularly critical at this time when Medicaid enrollment and the number of uninsured are increasing significantly as a result of the economic crisis.

Medicaid	Current	Increase in Provider Rates Equivalent to FY 2008 Increase	New with enhanced match
Total spent	\$4,000,000,000	\$121,000,000	\$4,121,000,000
Federal share	\$2,000,000,000		\$2,472,600,000
State share	\$2,000,000,000		\$1,648,400,000
<i>Net savings to state per year</i>			<i>\$351,600,000</i>
<i>Benefit to providers (hospitals and others)</i>			<i>\$121,000,000</i>
<i>Increase in general economy</i>			<i>\$255,310,000</i>
<i>Increase in CT jobs</i>			<i>2,059</i>
<i>Increase in CT salaries and wages</i>			<i>\$91,960,000</i>



CONNECTICUT
HOSPITAL
ASSOCIATION

Connecticut's Pursuit of a Section 1115 Waiver for SAGA Makes Good Economic Sense

While the federal government pays for half the expenses of the state's Medicaid program, the state pays the majority of the cost of SAGA (State Administered General Assistance). With the goal of maximizing available federal funds, the General Assembly has twice recognized the importance of seeking an 1115 waiver for the SAGA program. Section 17b-192(g) of the Connecticut General Statutes – passed in 2003 and reaffirmed in 2007 – requires that the Commissioner of the Department of Social Services submit an application to the federal government for such a waiver by March 1, 2004 and January 1, 2008, respectively.

Converting SAGA to Medicaid requires removing the cap on SAGA funding and increasing SAGA payments to providers to the Medicaid rate. Despite an estimated 30 percent increase in hospital payments and a 5 percent increase in non-hospital payments that would be required by the state under the waiver, the increase in federal funding would more than offset the increase in cost; the state would save approximately \$28 million per year over current expenditures, while hospitals and other providers would get the benefit of \$45 million in increased SAGA funding.

Presented on the attached pages are two scenarios: (1) considering the impact of a SAGA waiver irrespective of a federal enhanced match (currently being included as part of the federal stimulus package); and (2) increasing provider rates while the waiver application is in process to leverage the enhanced match. Both scenarios yield considerable benefits to providers and the state.

March 2, 2009

Connecticut's Pursuit of a Section 1115 Waiver for SAGA Makes Good Economic Sense *(Continued)*

Scenario 1: Considering the impact of a SAGA waiver irrespective of a federal enhanced match (currently being included as part of the federal stimulus package). *The state saves \$27.5 million and providers get an additional \$45 million. In addition, Connecticut benefits from the "ripple effect" of funds invested in Medicaid: the Connecticut general economy would be boosted by \$95 million, 766 jobs would be added, and more than \$34 million would be generated in Connecticut salaries and wages.*

SAGA	Current	Amount to make SAGA equal to Medicaid	New
Matched	\$110,000,000	\$35,000,000	\$255,000,000
Not matched	\$100,000,000	\$10,000,000	
Total spent	\$210,000,000	\$45,000,000	\$255,000,000
Federal share	\$55,000,000		\$127,500,000
State share	\$155,000,000		\$127,500,000
<i>Net savings to state per year</i>			<i>\$27,500,000</i>
<i>Benefit to providers (hospitals and others)</i>			<i>\$45,000,000</i>
<i>Increase in general economy</i>			<i>\$94,950,000</i>
<i>Increase in CT jobs</i>			<i>766</i>
<i>Increase in CT salaries and wages</i>			<i>\$34,200,000</i>

March 2, 2009

Connecticut's Pursuit of a Section 1115 Waiver for SAGA Makes Good Economic Sense *(Continued)*

Scenario 2: Increasing provider rates while the waiver application is in process to leverage the enhanced match (currently being included as part of the federal stimulus package); estimated here to be 60 percent versus the current match of 50 percent. *This scenario recognizes that it will take time to get a waiver, but while the application is in process, the state can still increase provider rates and leverage the enhanced match. An additional \$13 million cost to the state produces the following benefits: an increase to providers of \$45 million, a boost to the Connecticut economy of \$95 million, an increase of 766 Connecticut jobs, and an increase in over \$34 million in Connecticut salaries and wages; the final three results are due to the "ripple effect" of funds invested in Medicaid in Connecticut.*

SAGA	Current	Amount to make SAGA equal to Medicaid	New with enhanced match
Matched	\$110,000,000	\$35,000,000	\$145,000,000
Not matched	\$100,000,000	\$10,000,000	\$110,000,000
Total spent	\$210,000,000	\$45,000,000	\$255,000,000
Federal share	\$55,000,000		\$87,000,000
State share	\$155,000,000		\$168,000,000
<i>Net cost to state per year</i>			\$13,000,000
<i>Benefit to providers (hospitals and others)</i>			\$45,000,000
<i>Increase in general economy</i>			\$94,950,000
<i>Increase in CT jobs</i>			766
<i>Increase in CT salaries and wages</i>			\$34,200,000

March 2, 2009